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Monthly Update

2007, volume 7, Year 14 July 2007

Weaker Sister

Our computed long and short-term momentum for many of the funds reported herein is illustrated on p. 2. This graph shows low, yet positive, short-term momentum for long funds indicating a continuation in the price uptrend.

The distribution is around zero this month; this compares to a negative distribution last month just ahead of a big July rally. Our absolute sector rotation analysis indicates that emerging markets, technology, precious metals, and basic materials are leading. These trends are consistent with the weakling dollar and dropping US bond rates. The US is the weaker sister to Asia, in terms of US weak currency, US weaker growth rate, and market return. Asian GDP growth rates are double the US growth rate. Asian markets are providing outsized market gains today.

To illustrate our weak dollar, a can of coke in Paris now costs \$9.00. Thank you Mr. Wall Mart and all the US companies that off shore our jobs. Our standard of living is falling, viz. filling up your gasoline tank or going on vacation in Europe. The cost of a new 747 has increased to \$100 M compared to \$20 M in 1970. And even Mr. Boeing now builds his 787 wings in Japan for shipment back to Seattle to get its “made in the US” stamp. “Made in America” takes on a whole new meaning today. There are many reasons why Asia is outgrowing the US and many have to do with reduced government spending on science and technology, a lawyer-congress that is asleep, and massive spending on nonproductive homeland security protection personnel.

Emerging markets, technology, energy, and long bonds are our investment themes now. Our timing models are long the S&P500, NDX, gold, and short US bond yields.

Because the markets can turn quickly, be ready. May the market be with you! (July 20, 2007)